

Start Tax Planning Process Early for Maximum Benefit

Broadly speaking, tax planning is the process whereby a business or an individual examines every aspect of their financial situation to ensure they can meet their tax liabilities. Planning a tax strategy early in the taxation year allows the individual or business to identify deadlines for lodging tax returns to avoid late payment penalties. It includes researching which expenses are tax deductible under the current regulations and making arrangements, if necessary, to have funds available to pay a tax assessment by the due date.

All Income and Expenses Come Under Scrutiny

A key part of the process is to examine their income and expenses with a goal of legally minimising the amount of tax they are likely to pay. This type of strategy requires organised record keeping so that all information relating to financial transactions is readily available. In the case of a business, it also requires a sound understanding of bookkeeping principles, and knowledge of taxation rules applicable to businesses.

This is made much easier if the individual or business is able to get professional advice from [accountants Brisbane](#). Individual taxpayers, for example, should have their tax returns lodged by 31 October. If an extension of time is needed to find crucial documents such as invoices for expenses that are tax deductible, they should have the return prepared by a professional who has more time to lodge. The added benefit here is that the fee they pay to prepare and lodge the return is an allowable deduction in the year it is paid. This is just one of a number of allowable deductions that reduce the taxable income.

Another legitimate strategy is to pre-pay investment loan interest. Some lenders will allow the payment up front of interest on borrowings for up to 12 months ahead. However this deduction is only allowable on borrowings for income producing investments. If it is applicable, however, it is an excellent way to reduce taxable income.

Accounting Software Ensures a Disciplined Approach

For a business, having accounting systems that capture and record every transaction is absolutely essential. Reliable computer software can now be purchased off-the-shelf and self-installed. This allows even the smallest business to have the benefit of regular reports that show the financial status of the business at any given time. These accounting systems underpin any tax planning strategy, requiring as they do a fairly rigorous and disciplined approach to the information that is entered into the software.

When used as intended in conjunction with an accounting professional, these systems can record the relevant entries to bring forward income and defer expenses. Once in the system, reports can be generated quickly that will show the bottom line situation and the amount the business could expect to pay in tax. This allows them the time to arrange these funds even while their accountant is preparing the business taxation returns.

As an overall strategy, bringing forward income and deferring expenses where allowable and possible is useful for both individuals and businesses. The type of income and expenses may differ, but the principle is the same. What is crucial is to ensure that the income being brought forward and

the expenses being deferred are legally allowable transactions under the taxation regulations for that particular time period. These things can change from one federal budget to the next, so it is important to get up to date advice from taxation professionals. [Click here for more information](#)....

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